

Message Text

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PAGE 01 SANTIA 03754 070719Z
ACTION ARA-10

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FM AMEMBASSY SANTIAGO
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EO 11652: NA
TAGS: ECON CI
SUBJ: MINISTER OF ECONOMY BARAONA ON CHILEAN ECONOMY

1. IN MY FAREWELL CALLON MINISTER OF ECONOMY PABLO BARAONA MAY 5, I FOUND HIM HIS USUAL EBULLIENT AND OPTIMISTIC SELF. ACCENTUATING THE POSITIVE, HE REVIEWED THE FAVORABLE ECONOMIC INDICATORS VISIABLE IN CHILE TODAY, AND USED THEM TO MAKE SOME POINTS ON THE GOVERNMENT'S LONG-RANGE DEVELOPMENT APPROACH.

2. IT WAS, HE SAID, A MISTAKE TO THINK OF THE CHAOS OF THE ALLENDE PERIOD AS AN ISOLATED PHENOMENON. RATHER, IT WAS THE HISTORICALLY NECESSARY CONSEQUENCE OF ALL THE ECONOMIC AND SOCIAL POLICY ERRORS OF THE PREVIOUS THIRTY YEARS. DURING THAT PERIOD, ALL CHILEAN GOVERNMENTS HAD PRESSED AHEAD WITH LAND REFORM, MORE EQUITABLE INCOME DISTRIBUTION, SOCIAL SECURITY SCHEMES, AND OTHER SOCIAL WELFARE ACTIVITIES, WHAT HAD BEEN NEGLECTED WAS THE ECONOMIC GROWTH NECESSARY TO PAY FOR THESE MEASURES, DESIRABLE THOUGH THEY WERE.

3. PRESSURES STILL EXIST, BARAONA CONTINUED, TO RETURN
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TO THE PROFILIGATE HABITS OF THE PAST. WERE THE GOC TO SPEND ADDITIONAL MILLIONS ON DAY NURSERIES, OR FEEDING PROGRAMS, THE WHOLE WORLD WOULD TEND TO APPLAUD. BUT THEY WOULD BE STARTING ONCE AGAIN DOWN THE SLIPPERY SLOPE THAT LED STRAIGHT TO ALLENDE.

4. IN FACT, BARAONA NOTED, CHILE'S CURRENT INCOME

DISTRIBUTION STRUCTURE AND SOCIAL SERVICES ARE NOT BAD. WITHIN SENSIBLE LIMITS, THE GOC IS TRYING TO IMCMOVE THEM. BUT CHILE WILL NEVER ABLE TO AFFORD WHAT ARGENTINA WITH ALL ITS NATIVE WEALTH CAN. IT DOES, HOWEVER, COMPARE FAVORABLY WITH THE REST OF LATIN AMERICA. BARAONA STRESSED THAT ONLY UNDER ITS PRESENT AUTHORITARIAN FORM OF GOVERNMENT COULD CHILE HAVE TAKEN THE HARD STEPS NECESSARY TO ARREST THE DOWNWARD SLIDE OF 1973 AND TO LAY THE BASIS FOR THE ECONOMICALLY SOUND RECOVERY WHICH HAD NOW BEGUN.

5. COMMENT: AS I POINTED OUT TO BARAONA, DEMOCRATIC GOVERNMENTS IN WESTERN EUROPE AND THE AMERICAS ARE ALSO COPING WITH THE EFFECTS OF UNDULY EXPANSIONIST ECONOMIC AND SOCIAL PROGRAMS, THROUGH AUSTERITY POLICIES. BUT IT IS CLEAR THAT THE GOC BELIEVES THAT AT LEAST IN CHILE, SOME FORM OF AUTHORITARIAN DISCIPLINE IS REQUIRED FOR THIS PURPOSE.
POPPER

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